

**NEW MARKET
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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NEW MARKET COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September, 2007 Election)

Teresa Ganley	President	2009
Alan Brown	Vice President	2008
Kelly Parrot		2008
Lorraine Madsen		2007
Angie Potter		2007

(After September, 2007 Election)

Teresa Ganley	President	2008
Alan Brown	Vice President	2008
Kelly Parrot		2008
Angie Potter		2008

School Officials

Russell Hilker	Superintendent
Shirley Maxwell	District Secretary/ Treasurer

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report

To the Board of Education of
New Market Community School District:

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of New Market Community School District, New Market, Iowa as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund, of New Market Community School District at June 30, 2008 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated March 28, 2009 on our consideration of New Market Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The voters of the District elected to dissolve the school district effective June 30, 2008.

Budgetary comparison information on pages 22 and 23 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

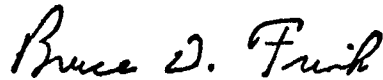
- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

The District has not presented Management's Discussion and Analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Account Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise New Market Community School District's basic financial statements. The financial statements for the four years ended June 30, 2007 (which are not presented herein) were audited by other auditors, in accordance with the standards referred to in the second paragraph of this report, who expressed unqualified opinions on those financial statements. Other supplemental information included in Schedules 1 through 3, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Bruce D. Frink". The signature is written in a cursive, flowing style.

BRUCE D. FRINK
Certified Public Accountant

March 28, 2009

Basic Financial Statements

NEW MARKET COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2008

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 326,473
Receivables:	
Property tax:	
Current year	16,913
Income surtax	35,700
Due from other governments	53,375
Other receivables	79,743
Inventories	-
Capital assets, net of accumulated depreciation	<u>80,052</u>
Total assets	<u>592,256</u>
Liabilities	
Accounts payable	<u>18,472</u>
Total liabilities	<u>18,472</u>
Net assets	
Invested in capital assets, net of related debt	80,052
Restricted for:	
Management fund	172,271
Capital projects	261,893
Physical plant and equipment levy	53,419
Unrestricted	<u>6,149</u>
Total net assets	<u>\$ 573,784</u>

See notes to financial statements.

NEW MARKET COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:	\$ 1,140,769	21,173	151,832	(967,764)	-	(967,764)
Support services:						
Instructional staff services	6,309	-	-	(6,309)	-	(6,309)
Administration services	170,811	-	-	(170,811)	-	(170,811)
Operation and maintenance of plant services	127,438	-	9,656	(117,782)	-	(117,782)
Transportation services	60,782	100	-	(60,682)	-	(60,682)
	365,340	100	9,656	(355,584)	-	(355,584)
Non-instructional programs:						
Food service operations	2,467	-	-	(2,467)	-	(2,467)
Other expenditures:						
Facilities acquisition and construction	14,007	-	6,305	(7,702)	-	(7,702)
AEA flowthrough	56,182	-	56,182	-	-	-
Depreciation (unallocated)*	10,175	-	-	(10,175)	-	(10,175)
	80,364	-	62,487	(17,877)	-	(17,877)
Total governmental activities	1,588,940	21,273	223,975	(1,343,692)	-	(1,343,692)

NEW MARKET COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities
Business type activities:				Business Type Activities
Non-instructional programs:				
Nutrition services	23,185	7,265	11,101	
Total	\$ 1,612,125	28,538	235,076	(4,819)
			(1,343,692)	(1,348,511)
General Revenues:				
Property tax levied for:				
General purposes				
Management fund				
Capital outlay				
Income surtax				
Local option sales tax				
Unrestricted state grants				
Unrestricted investment earnings				
Net gain on sale of equipment				
Other				
Total general revenues			1,361,943	1,361,943
Change in net assets			18,251	(4,819)
Net assets beginning of year			555,533	4,819
Net assets end of year			\$ 573,784	573,784

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

NEW MARKET COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2008

	<u>General</u>	<u>Management Levy</u>	<u>Physical Plant and Equipment Levy</u>	<u>Capital Projects</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 170	56,456	53,039	216,808	326,473
Receivables:					
Property tax:					
Current year	14,103	2,430	380	-	16,913
Income surtax	35,700	-	-	-	35,700
Due from other governments	8,290	-	-	45,085	53,375
Other receivables	79,743	-	-	-	79,743
Interfund receivable	-	113,385	-	-	113,385
Total assets	<u>\$ 138,006</u>	<u>172,271</u>	<u>53,419</u>	<u>261,893</u>	<u>625,589</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 18,472	-	-	-	18,472
Interfund payable	113,385	-	-	-	113,385
Deferred revenue:					
Income surtax	35,700	-	-	-	35,700
Total liabilities	<u>167,557</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>167,557</u>
Fund balances:					
Reserved for capital projects	-	-	-	261,893	261,893
Unreserved, undesignated	(29,551)	172,271	53,419	-	196,139
Total fund balances	<u>(29,551)</u>	<u>172,271</u>	<u>53,419</u>	<u>261,893</u>	<u>458,032</u>
Total liabilities and fund balances	<u>\$ 138,006</u>	<u>172,271</u>	<u>53,419</u>	<u>261,893</u>	<u>625,589</u>

See notes to financial statements.

NEW MARKET COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2008

Total fund balances of governmental funds (Exhibit C)	\$ 458,032
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***Amounts reported for governmental activities in the Statement of Net Assets
are different because:***

Income surtax receivable at June 30, 2008 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.	35,700
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	<u>80,052</u>
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Net assets of governmental activities (Exhibit A)	<u><u>\$ 573,784</u></u>
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NEW MARKET COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2008

	General	Activity Fund	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Total
Revenues:						
Local sources:						
Local tax	\$ 507,592	-	79,719	12,451	89,147	688,909
Tuition	20,737	-	-	-	-	20,737
Other	31,006		8,201	1,361	6,305	46,873
State sources	789,229	-	81	13	-	789,323
Federal sources	58,925	-	-	-	-	58,925
Total revenues	<u>1,407,489</u>	<u>-</u>	<u>88,001</u>	<u>13,825</u>	<u>95,452</u>	<u>1,604,767</u>
Expenditures:						
Instruction	<u>1,120,190</u>	<u>-</u>	<u>20,579</u>	<u>-</u>	<u>-</u>	<u>1,140,769</u>
Support services:						
Instructional staff services	5,259	-	-	1,050	-	6,309
Administration services	164,783	-	6,028	-	-	170,811
Operation and maintenance of plant services	116,322	-	11,116	-	-	127,438
Transportation services	56,382	-	4,400	-	-	60,782
	<u>342,746</u>	<u>-</u>	<u>21,544</u>	<u>1,050</u>	<u>-</u>	<u>365,340</u>
Other expenditures:						
Facilities acquisition and construction	-	-	-	4,402	9,605	14,007
AEA flowthrough	56,182	-	-	-	-	56,182
	<u>56,182</u>	<u>-</u>	<u>-</u>	<u>4,402</u>	<u>9,605</u>	<u>70,189</u>
Total expenditures	<u>1,519,118</u>	<u>-</u>	<u>42,123</u>	<u>5,452</u>	<u>9,605</u>	<u>1,576,298</u>

NEW MARKET COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2008

	General	Activity Fund	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Total
Excess (deficiency) of revenues over (under) expenditures	(111,629)	-	45,878	8,373	85,847	28,469
Other financing sources (uses):						
Sale of equipment and materials	78,141		-	3,577	-	81,718
Operating transfers in	1,202	-	-	-	-	1,202
Operating transfers out	(2,467)	(1,202)	-	-	-	(3,669)
	76,876	(1,202)	-	3,577	-	79,251
Net change in fund balance	(34,753)	(1,202)	45,878	11,950	85,847	107,720
Fund balances beginning of year	5,202	1,202	126,393	41,469	176,046	350,312
Fund balances end of year	\$ (29,551)	-	172,271	53,419	261,893	458,032

See notes to financial statements.

NEW MARKET COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2008

Net change in fund balances - total governmental funds (Exhibit E)	\$ 107,720
Amounts reported for governmental activities in the Statement of Activities are different because:	
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities	(6,350)
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of depreciation expense in the year is as follows:	
Depreciation expense	(10,175)
Undepreciated cost of assets disposed of during year	<u>(72,944)</u>
Change in net assets of governmental activities (Exhibit B)	<u>\$ 18,251</u>

See notes to financial statements.

NEW MARKET COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund

Year ended June 30, 2008

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for services	\$ 7,265
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	10,516
Benefits	1,433
Supplies	11,236
Total operating expenses	23,185
Operating (loss)	(15,920)
Non-operating revenues:	
Interest on investments	26
Transfer from General Fund	2,467
Loss on disposal of fixed assets	(1,147)
State sources	200
Federal sources	9,555
	11,101
Change in net assets	(4,819)
Net assets beginning of year	4,819
Net assets end of year	\$ -

See notes to financial statements.

NEW MARKET COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2008

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 7,265
Cash payments to employees for services	(11,949)
Cash payments to suppliers for goods or services	<u>(7,146)</u>
Net cash (used in) operating activities	<u>(11,830)</u>
Cash flows from non-capital financing activities:	
State grants received	200
Federal grants received	<u>7,799</u>
Net cash provided by non-capital financing activities	<u>7,999</u>
Cash flows from capital financing activities:	
Transfer from General Fund	2,467
Cash flows from investing activities:	
Interest on investments	<u>26</u>
Net increase in cash and cash equivalents	(1,338)
Cash and cash equivalents beginning of year	<u>1,338</u>
Cash and cash equivalents end of year	<u><u>-</u></u>
Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating (loss)	(15,920)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:	
Commodities used	1,756
Decrease in inventory	<u>2,334</u>
	<u>\$ (11,830)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received federal commodities valued at \$9,880.

See notes to financial statements.

NEW MARKET COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2008

	Private Purpose Trusts <u>Scholarships</u>
Assets	
Cash and pooled investments	\$ <u>3,313</u>
Total assets	<u>3,313</u>
Liabilities	
Other payables	<u>-</u>
Net Assets	
Reserved for scholarships	\$ <u><u>3,313</u></u>

See notes to financial statements.

NEW MARKET COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2008

	Private Purpose Trusts <u>Scholarships</u>
Additions:	
Local sources:	
Contributions	\$ 484
Interest on investments	<u>109</u>
Total additions	<u>593</u>
Deductions:	
Instruction:	
Other	<u>200</u>
Total deductions	<u>200</u>
Change in net assets	393
Net assets beginning of year	<u>2,920</u>
Net assets end of year	<u>\$ 3,313</u>

See notes to financial statements.

NEW MARKET COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

New Market Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Town of New Market, Iowa, and agricultural territory in Page and Taylor Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis. Students in grades seven through twelve are sent to Bedford or Clarinda under a one way sharing agreement.

A. Reporting Entity

For financial reporting purposes, New Market Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. New Market Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Page and Taylor County Assessor's Conference Boards.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

The General Fund is the general operation fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Physical Plant and Equipment Levy Fund is utilized to account for the maintenance and equipping of the District's facilities.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's major proprietary fund is the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balance

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year become effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures did not exceed the amount budgeted in any of the four functions.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public fund.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2008.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,250	-	-	3,250
Capital assets being depreciated:				
Land Improvements	28,170	-	-	28,170
Buildings	421,305	-	-	421,305
Furniture and Equipment	215,781	-	215,781	-
Total capital assets being depreciated	665,256	-	215,781	449,475
Less accumulated depreciation for:				
Land Improvements	22,544	1,409	-	23,953
Buildings	339,954	8,766	-	348,720
Furniture and Equipment	142,837	-	142,837	-
Total accumulated depreciation	505,335	10,175	142,837	372,673
Total capital assets being depreciated, net	159,921	(10,175)	72,944	76,802
Governmental activities, capital assets, net	\$ 163,171	(10,175)	72,944	80,052
Business type activities:				
Furniture and equipment	\$ 8,687	-	8,687	-
Less accumulated depreciation	7,540	-	7,540	-
Business type activities capital assets, net	\$ 1,147	-	1,147	-

Depreciation expense was charged to the following functions:

Governmental activities:	
Unallocated	\$ 10,175
Business Type activities:	
Food service operations	\$ -

(4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual payroll for the year ended June 30, 2008. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$28,955, \$27,590, and \$36,704 respectively, equal to the required contributions for each year.

(5) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$56,182 for year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(6) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2008 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investment</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2007-08A	6/27/07	6/27/08	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008.

The warrants bear an interest rate and the proceeds of the warrants are invested at an interest rate as shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2007-08A	4.500%	5.455%

(7) Dissolution

In November, 2008 the voters of the District approved the dissolution of the New Market Community School District effective June 30, 2008. Property will be split primarily between the Clarinda and Bedford Community School Districts.

(8) Financial Condition

The General Fund had a deficit fund balance of \$29,551 as of June 30, 2008. Disposition of this deficit has yet to be determined by the Department of Education and the succeeding districts.

Required Supplementary Information

NEW MARKET COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund
Required Supplementary Information

Year ended June 30, 2008

	Governmental Fund Types	Proprietary Fund Type	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
	Actual	Actual	Actual	Original	Final	Variance
Revenues:						
Local sources	\$ 756,519	7,291	763,810	771,599	771,599	(7,789)
State sources	789,323	200	789,523	810,020	810,020	(20,497)
Federal sources	58,925	9,555	68,480	131,200	131,200	(62,720)
Total revenues	<u>1,604,767</u>	<u>17,046</u>	<u>1,621,813</u>	<u>1,712,819</u>	<u>1,712,819</u>	<u>(91,006)</u>
Expenditures:						
Instruction	1,140,769	-	1,140,769	1,152,286	1,152,286	11,517
Support services	365,340	-	365,340	588,318	588,318	222,978
Non-instructional programs	-	23,185	23,185	45,006	45,006	21,821
Other expenditures	70,189	-	70,189	152,948	152,948	82,759
Total expenditures	<u>1,576,298</u>	<u>23,185</u>	<u>1,599,483</u>	<u>1,938,558</u>	<u>1,938,558</u>	<u>339,075</u>
Excess (deficiency) of revenues over (under) expenditures	28,469	(6,139)	22,330	(225,739)	(225,739)	248,069
Other financing sources (uses)	<u>79,251</u>	<u>1,320</u>	<u>80,571</u>	<u>-</u>	<u>-</u>	<u>80,571</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	107,720	(4,819)	102,901	(225,739)	(225,739)	328,640
Balance beginning of year	<u>350,312</u>	<u>4,819</u>	<u>355,131</u>	<u>225,739</u>	<u>225,739</u>	<u>129,392</u>
Balance end of year	<u>\$ 458,032</u>	<u>-</u>	<u>458,032</u>	<u>-</u>	<u>-</u>	<u>458,032</u>

See accompanying independent auditor's report.

NEW MARKET COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, expenditures did not exceed the amount budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

NEW MARKET COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Library Club	\$ 223	-	223	-
Shows (Assemblies)	307	-	307	-
Instrumental Music	672	-	672	-
Total	\$ 1,202	-	1,202	-

See accompanying independent auditor's report.

NEW MARKET COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2008

		Balance Beginning of Year	Additions	Deductions	Balance End of Year
	Assets				
Cash		<u>\$ 537</u>	<u>666</u>	<u>1,203</u>	<u>-</u>
	Liabilities				
Other payables		<u>\$ 537</u>	<u>666</u>	<u>1,203</u>	<u>-</u>

See accompanying independent auditor's report.

NEW MARKET COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Five Years

	Modified Accrual Basis				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 688,909	671,034	674,150	672,955	1,478,049
Tuition	20,737	44,551	58,826	31,578	102,867
Other	46,873	45,779	33,381	25,324	124,871
State sources	789,323	797,072	841,653	790,431	1,715,511
Federal sources	58,925	79,642	104,735	128,914	113,355
Total	<u>\$ 1,604,767</u>	<u>1,638,078</u>	<u>1,712,745</u>	<u>1,649,202</u>	<u>3,534,653</u>
Expenditures:					
Instruction	\$ 1,140,769	1,080,760	1,101,799	1,115,103	1,030,676
Support services:					
Student services	-	10	197	59	89
Instructional staff	6,309	24,129	46,666	34,183	21,521
Administration	170,811	177,485	176,550	169,412	166,595
Operation and maintenance of plant	127,438	110,826	122,904	137,157	131,150
Transportation	60,782	80,039	105,671	77,906	96,091
Non-instructional programs		6,700	4,500	650	5,087
Other expenditures:					
Facilities acquisition	14,007	32,225	88,781	13,712	32,817
AEA flowthrough	56,182	55,169	53,881	52,561	52,628
Total	<u>\$ 1,576,298</u>	<u>1,567,343</u>	<u>1,700,949</u>	<u>1,600,743</u>	<u>1,536,654</u>

See accompanying independent auditor's report.

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of
New Market Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of New Market Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 28, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered New Market Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of New Market Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of New Market Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency and other deficiency as well as a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects New Market Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of New Market Community School District's financial statements that is more than inconsequential will not be prevented or detected by New Market Community School District's internal control. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by New Market Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above, 08-I-A, to be a material weakness.

Compliance and Other Matters

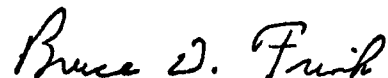
As part of obtaining reasonable assurance about whether New Market Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

New Market Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit New Market Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of New Market Community School District and other parties to whom New Market Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of New Market Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

March 28, 2009

NEW MARKET COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2008

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

08-I-A Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. The District has done a good job of segregating duties among the present staff, however, the District Secretary continues to have the ability to override the present controls and circumvent the internal control system.

Recommendation - No recommendation is made due to the dissolution of the District as of June 30, 2008.

Part II: Other Findings Related to Required Statutory Reporting:

08-II-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2008.

08-II-B Certified Budget - Expenditures for the year ended June 30, 2008, did not exceed the certified budget amount in any of four functions.

08-II-C Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

08-II-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

08-II-E Business Transactions - No business transactions between the District and District officials or employees were noted.

08-II-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

08-II-G Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.

08-II-H Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

08-II-I Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

08-IV-J Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.